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## OLR Bill Analysis

### sSB 29

#### ***AN ACT CONCERNING THE CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY.***

#### **SUMMARY:**

This bill merges the Connecticut Health and Educational Facilities Authority (CHEFA) with the Connecticut Higher Education Supplemental Loan Authority (CHESLA) by making CHESLA a subsidiary of CHEFA. CHESLA retains authority to, among other things, issue loans and bonds and hire its own employees. The bill also, among other things, (1) dissolves and reconstitutes the CHESLA board of directors, (2) expands the pool of higher education institutions for which CHEFA may finance capital projects, and (3) makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2012

#### **CHESLA**

##### ***Board of Directors***

The bill dissolves and reconstitutes the CHESLA board of directors, terminating the terms of all current directors on July 1, 2012. The reconstituted board is generally similar to the existing board (see Tables 1 and 2), with the primary differences being the board's size (it increases from eight to nine) and the appointing authority (which the bill changes from the governor to the CHEFA board of directors). The bill also lowers, from three to two, the maximum number of the four appointees who may be from the same political party.

**Table 1: CHESLA Board of Directors**

<i>Provision</i>	<i>Current Law</i>	<i>The Bill</i>
<b>Size</b>	Eight members	Nine members

<b>Composition</b>	Three ex-officio members and five appointees See Table 2 for details	Five ex-officio members and four appointees See Table 2 for details
<b>Appointing Authority</b>	Governor	CHEFA board of directors
<b>Term Length for Appointed Members</b>	Six years	Same, with exceptions described in Table 2
<b>Chairperson</b>	Governor designates the chairperson, who is subject to confirmation by both the House and Senate	CHEFA board chairperson serves as the CHESLA board chairperson (under existing law, the CHEFA board chairperson is designated by the governor and subject to confirmation by both chambers)
<b>Vacancies</b>	Filled by appointing authority	Same
<b>Removal of Members</b>	May be removed by the appointing authority for misfeasance, malfeasance, or willful neglect of duty	Same

**Table 2: CHESLA Board of Directors Composition**

<b>Selection Method</b>	<b>Current Law</b>	<b>The Bill</b>
<b>Ex-Officio</b>	Treasurer, Office of Policy and Management secretary, and Board of Regents for Higher Education president, or their designees	Same, with the addition of the CHEFA (1) executive director and (2) board chairperson
<b>Appointed</b>	Three active or retired trustees, directors, officers, or employees of Connecticut institutions of higher education	Same, except (1) there are two, rather than three such appointees and (2) the appointees must be members of the CHEFA board These appointees serve on the CHESLA board (1) for as long as they are on the CHEFA board or (2) until a successor is appointed
	One person with a favorable reputation for skill, knowledge, and experience in the higher education loan finance field	Same (the bill's qualification is "higher education loan" rather than "higher education loan finance" experience)
	One person with a favorable reputation for skill, knowledge, and experience in state and municipal finance This person must be (1) a partner, officer, or employee	Same, except the bill (1) allows the appointee's skill, knowledge, and experience to be in the higher education loan field and (2) removes the requirements

	of an investment bank that originates and purchases state and municipal securities or (2) an officer or employee of an insurance company or bank whose duties relate to purchasing state and municipal securities and managing and controlling a state and municipal securities portfolio	concerning the appointee's occupation
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If a member of the current CHESLA board is reappointed to the new CHESLA board, the bill requires his or her initial term on the new board to end on the date that his or her term on the current board was previously scheduled to end. Otherwise, one of the newly-appointed members must serve an initial five-year term. As under current law, the CHESLA board must annually elect one of its members as board vice-chairperson.

### ***Employees***

The bill maintains the provision in current law allowing CHESLA to have its own employees and allows the CHESLA board to appoint an executive director, who serves at the board's pleasure. However, the bill makes the CHESLA executive director a CHEFA employee.

Additionally, the bill (1) eliminates the CHESLA board's ability to appoint an assistant executive director and (2) allows the CHESLA board to designate CHESLA or CHEFA employees (whom the bill designates as "authorized officers") to execute and deliver documents and papers and act in the name of and on behalf of CHESLA. It extends to such officers a requirement to either obtain a \$50,000 surety bond or be covered by a \$50,000 blanket position bond obtained by the CHESLA board chairperson that is conditioned upon the faithful performance of their duties. Existing law imposes this requirement on the CHESLA board's chairperson and vice-chairperson, its executive director, and other board members authorized by resolution to handle funds and sign checks.

### ***Liability Limits***

The bill subjects CHESLA to lawsuit and liability solely from its

own assets, revenues, and resources and without recourse to CHEFA's general funds, revenues, resources, and assets. It maintains current law's provisions that indemnify CHESLA's officers, directors, and employees and protect them from personal liability and extends these protections to "authorized officers" of the CHESLA board.

### ***Tax Exemption***

The bill requires CHEFA and CHESLA to take any necessary actions to (1) maintain CHESLA's tax-exempt status and (2) ensure that interest on CHEFA bonds, notes, or other obligations are not counted as gross income for federal tax purposes.

### **CHEFA**

By law, CHEFA may finance capital projects at the Connecticut State University System and nonprofit independent higher educational institutions in Connecticut. The bill extends this authority to include all public colleges and universities in Connecticut.

It also allows CHEFA to provide and be compensated for services to or on behalf of CHESLA, including services providing CHESLA with space, equipment, supplies, and employees. Additionally, the bill eliminates a requirement that CHEFA subsidiaries (including CHESLA) obtain its approval before borrowing.

### **BACKGROUND**

#### ***Legislative History***

The Senate referred the bill (File 43) to the Finance, Revenue and Bonding Committee, which favorably reported a substitute that removes a provision expanding CHEFA's financing authority to any nonprofit college or university in the nation. It also allows CHEFA's subsidiaries to borrow funds without CHEFA approval and makes technical and conforming changes.

### **CHEFA**

CHEFA is a quasi-public agency that finances capital projects for health care institutions, higher education institutions, nursing homes, and other nonprofit organizations.

**CHESLA**

CHESLA is a quasi-public agency that provides education loans for (1) students attending a non-profit college or university in Connecticut or (2) Connecticut residents attending a nonprofit college or university in the U.S.

**COMMITTEE ACTION**

Higher Education and Employment Advancement Committee

Joint Favorable

Yea 19 Nay 0 (03/06/2012)

Government Administration and Elections Committee

Joint Favorable

Yea 12 Nay 0 (04/16/2012)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 48 Nay 1 (04/20/2012)